

98-84358-14

Seelye, Julius Hawley

The currency question

[S.I.]

[1876?]

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Seelye, Julius Hawley, 1824-1895.

v.14

The currency question; speech in the House of  
representatives... March 11, 1876.

7 p. 21<sup>1</sup>/<sub>2</sub> cm.

No title-page.

Volume of pamphlets.

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TECHNICAL MICROFORM DATA

FILM SIZE: 36 mm

REDUCTION RATIO: 11:1

IMAGE PLACEMENT: IA  IIA  IB  IIB

DATE FILMED: 3-4-98

INITIALS: fb

TRACKING #: 31833

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## THE CURRENCY QUESTION.

# S P E E C H O F JULIUS H. SEELYE, O F M A S S A C H U S E T T S , I N T H E H O U S E O F R E P R E S E N T A T I V E S ,

SATURDAY, MARCH 11, 1876.

The House, being in Committee of the Whole on the state of the Union, and having under consideration the bill (H. R. No. 2571) making appropriations for the legislative, executive, and judicial expenses of the Government for the year ending June 30, 1877, and for other purposes—

Mr. SEELYE said :

Mr. CHAIRMAN : I have listened here to some very interesting and exceedingly able discussions of appropriations and the general questions of finance, in which, however, the utmost variety of opinion upon these important themes has been expressed. But I believe that, notwithstanding this seeming diversity, there is one point where the members of this House and the people who have sent us here will substantially agree. If it could be positively and everywhere known that our financial affairs had settled down upon some stable basis, a sigh of relief would be wafted from every quarter of the land. What our farmers, and mechanics, and laborers of all kinds most urgently need, what our manufacturers, and merchants, and traders of every sort are actually groaning for, is some sort of stability in the monetary affairs of the nation. Without such stability our whole industry is and must be afloat without a chart or compass, the sport of winds and waves. Upon this point I am sure we are all agreed.

But, if this be true, our views ought to harmonize still further; for a stable condition of our monetary affairs is not possible on the ground upon which we have sought to conduct them for the last fifteen years. During this period the volume of our currency and its consequent value have depended, as they still do, upon acts of Congress, and these acts, various and contradictory as they sometimes have been, and uncertain as they always must be, introduce an element of instability in our finances which nothing can remove so long

as we seek to regulate them in this way. Until the questions which now agitate us concerning our currency can be put beyond the control of Congress, and be left to regulate themselves, like winds and tides, by gravitation, it is simply impossible to have financial stability in the land.

Now, it may seem preposterous to hope for agreement upon any plan to put our currency upon a stable basis, but it is not difficult to see that all possible financial plans for us, comprehensively considered, resolve themselves into three, one of which we must take, and only one of which can be wise.

The first of these is the attempt to continue just as we are, without either expansion nor contraction, a possibility which it is well for us to look fairly in the face and see whether it be actually such, or whether it be only a delusion and a snare.

Those who advocate the maintenance of our present financial policy essentially unchanged assert very different reasons in behalf of this policy and are innumerable divided in their methods of practically adjusting it. Some would maintain it as the only way to get rid of the national debt; others would insist upon the discontinuing specific payments altogether. Some would do away with our bank notes entirely and substitute greenbacks in their stead, maintaining the present volume unchanged, while others abound in what called elastic expedients, by which the same currency may be stretched or shortened, as the widening or narrowing demands of trade may require. But the point of agreement in them all is this: that we have an American system of currency, different from that of all the rest of the world, paper money being the chief component part of the wealth of the nation, and by this alone our permanent financial prosperity can be secured. It is not necessary to take up so severely the various methods, actual or conceivable, for adjusting this system; since if the system itself is vitally defective that defect will attach to all its applications.

Now, I affirm that the one defect in our present currency, a defect which penetrates it through and through and renders it forever incapable of performing the functions of a sound money, is that it is a currency which has originally cost no labor; it rests upon no solid basis of industry, and its value is derived from the fact that it costs no labor with it labor is cheaped, and the industry of the nation, being dishonestly paid, becomes in consequence prostrate and paralyzed. In other words, we have faulced that we could actually measure the labor of the land by that which has no labor in it; we have taken a piece of paper which costs no labor, and which may be duplicated and multiplied to any extent without labor, and have supposed that we could make this the annual standard of value and wealth. This is one essential element which, weighed down by disease and death, carries a mulosity of labor. There is no possible way in which the currency of a nation can be a stable representative of the industry or the wealth of a nation unless that currency be a commodity which costs labor to produce it and is worth what it has cost for some other use than currency. It may be any commodity you please, if it have these characteristics; it may be wampum or beads, as among the earliest colonists of America; it may be salt, or iron, or copper, or tin, or silver, as among some Asiatic and African peoples to-day; or it may be silver and gold, as from the earliest history has been the case in the civilized world; but whatever it is, it must possess these two qualities, of being intrinsically desirable to possess, and equally difficult to obtain, or it cannot be truly money or furnish a truly stable currency.

for the people who employ it. The simple reason for this, which makes its truth apparent to every sound eye, is that these two elements are exactly what give value to anything; in other words, are exactly that which constitutes wealth, and, while all wealth is not money, there cannot be money in any true sense which is not wealth.

Now, I will not argue the advantages of gold and silver for this purpose, for these are too plain to need arguing. Neither do I wish to bring any charge of disadvantage against a paper currency which represents its fixed amount of gold and silver, into which it may be turned at the option of the holder, for such a currency has its obvious convenience which I know of nought to equal. But a paper currency which is only a promise to pay that is never fulfilled, a currency whose only value is furnished by the command or even by the credit of the government which issues it, a currency which can be produced to any extent without labor, and which has no possible use for anything except as currency, is not only inconvenient and dangerous, but must be disastrous wherever employed. Such a currency, unstable itself, renders everything else unstable; it unsettles all values; it disturbs every kind of business; it obliges that trade should be done with a broader margin of profit and loss, and thus enlarging the field of speculation it extends in an equal degree the bounds of bankruptcy; it always has been, whenever tried, a most fruitful source of evil, and, from the nature of the case, its results must be always evil.

Here, then, in a word, is the exact and hopeless diagnosis of our currency of ours. It undertakes to pay for imports with that which has no industry in it, and this is a bankrupt industry which however cloaked or long concealed will at length come to light and claim its retribution.

"My Lord Cardinal," said Anne of Austria to Cardinal Richelieu one day, "My Lord Cardinal, God does not pay at the end of every week or month; but at the end He pays." To individuals this payment may be carried over beyond this world, but nations suffer here and now for their faults and follies, as well as for their crimes. Why, Mr. Chairman, is any eye so blind as not to see the dire consequences of this currency of ours as now apparent? The gentleman from Pennsylvania [Mr. KELLEY] has just now pictured "sepulchral tones" the funeral gloom which our industries seemed to him enshrouded; but he has brought so sad a state to pass! Why this "sunless industry" and "curtailed production," and "enforced idleness," which in the language of the gentleman, has added so "fearfully" to the list of suicides, crowded insane asylums, while many impoverished patients, and opened as their only refuge station-houses and houses of correction to thousands of men and women who would find happiness in enduring the penalty of the primal curse could they be permitted to earn their bread in the sweat of their brow?" We still have this "philosophical currency" which "devalues our currency," "the best currency in the world," of which the greedy foreign nations can never deprive us; a currency upon which the gentleman has descended, are its legitimate results. To what else are they, to what else can they be referred, even upon his own showing? Does he not say that "that" "financial policy inaugurated by President Johnson's Secretary of the Treasury" is responsible for this state of things? But this state of things does not occur till from six to eight years after that financial policy had been abandoned. Does the gentleman believe, he is serious when he ascribes any part of this condition to what he terms "the ill-judged act providing for the resumption of specie payments on the 1st of January, 1879?" But

these results began long before that act was passed or even proposed, and if anybody does not know that they are altogether independent of that act he needs something more than arguments to give him knowledge. It is not light which he lacks, but an eye. This condition is not at all an unnatural result of a currency like ours. It is a result which has always attended such a currency. It is the result which we have predicted over and over again as sure to follow the attempt to pay the debts of everything of which is not the product of labor, and this result can never be removed by any device which does not reach to the very root of the evil itself.

Therefore, Mr. Chairman, this result is not going to be changed, cannot, from the very nature of the case, be changed by making this currency interconvertible with bonds, a scheme made so famous by the persistent advocacy of the gentleman from Pennsylvania, and which I have sometimes almost thought he had intended to present as an exquisite piece of irony, or, perhaps, a magnificent piece of burlesque, in which the effects of a certain theory of the currency might appear in all their absurdity. But as this is a sober scheme, soberly presented, I venture to turn aside for a moment from the direct line of my discussion to ask what it really means. Yours, according to the scheme, are to be converted into bonds, and bonds are to be converted into dollars, interchangeably and perpetually, as the exigencies of business shall require; but what is a dollar, and what are the bonds? Perhaps a dollar means nothing, is only a word with no more significance than those mantes which Montesquieu tells us the inhabitants of the West African coast employ in their reckoning; but I suppose the gentleman would hardly allow that his scheme stands upon this logic. And yet if a dollar means anything—I will not say a definite weight, or a stamp of gold or silver, but if it have any conceivable meaning—it is the inevitable greenback-and-bond scheme, if it be anything other than a gigantic folly, a stupendous fraud. Let us see. The gentleman surely will not claim that this piece of paper called a greenback is a dollar, for the greenback itself claims to be nothing of the sort. All that the greenback claims to be is a promise to pay a dollar, and this promise to pay a dollar cannot surely be the same thing as a dollar, except upon a system of logic by which a horse-chestnut is proved to be the same thing as a chestnut, a system of logic with which I have no doubt the gentleman often amused himself, as we all have done, in the sports of boyhood, but by which that remarkable school of political economists which he so often quotes actually guides itself in the speculations of mature life.

The greenback is a promise to pay; does this mean anything? Shall it be fulfilled? Yes says the gentleman, we will redeem it in bonds. A given number of greenbacks shall have in return a given number of bonds. These promises to pay shall be transferred thus into dollars! No, but they shall find their full equivalent in bonds. But what is the value of these bonds? Why, there are only promises to pay; promises to pay, moreover, dollars in kind as the greenbacks are, and to be fulfilled and redeemed by being converted into dollars, or, to a pinch, into greenbacks again. One promise is paid by a second, and the second is redeemed by renewing the first, by which process, we are gravely told, our financial prosperity shall be all that we desire! But what has become of the dollar in all this jinglery between greenbacks and bonds? Where is "the little joker"<sup>7</sup> in this amazing game of thimble-rigging in which a great government like ours is soberly urged to engage? The dollar, whatever it is—and I will not quarrel

here about its meaning—the dollar is nowhere to be found. He to whom it belonged, when seeking for his own, finds himself the victim of a cheat, and the government which palmed off such a procedure upon his betrothed is a fraud. I am aware, Mr. Chairman, that some very extravagant and wild theories prevail amongst us, but I suspect that a parallel for this interconversion-of-greenback-and-bond scheme cannot be found outside of a madhouse.

And yet every possible contrivance to patch up our present system, while the system itself is left essentially unchanged, necessarily involves more or less of a delusion; for the very groundwork of the system is faulty, and the fault remains, whatever its adjustments. Since the payment of labor with anything which is not a payment in kind—*i.e.*, with anything which is not at bottom a payment in labor—is in itself a breach of a real payment, no legislation, no devices can change this process of a reality, any more than acts of Congress or contrivances of men can change any other falsehood into a truth. It is therefore only a puerile delusion to suppose that efforts to strengthen the so-called credit of the Government would help this matter in the least.

The credit of the Government creates no values. All that it can do is to certify to the value which honest industry has already created. The credit of the Government certifies by its coinage to the value of a dollar. But the value is in the weight and fineness of the metal coined, and not in the name which gives it currency. All the credit of the Government could not give iron pyrites the value of gold could the credit of the Government give red sandpaper board into regiments of fighting men. Labeling the patches with the titles of an army and solemnly pledging the faith of the Government that it should perform all the functions of an army would be no greater an absurdity than that into which we have fallen in the treatment our paper currency, and solemn appeals to sustain the credit of the Government would be just as appropriate to reference to one of these shams as the other. The exact and all-important point, which though a most modest gentleman should not here forget, is that governmental credit, instead of supporting the Army, the money, the institutions, the laws of a land, needs itself first to be sustained by these. The credit of a government is like the shield of a man, priceless if it rests on truth, but worse than worthless otherwise.

But if it is impossible to build a stable structure, however contrived, on the basis of our currency as it is, any further extension of this currency, which is the second of the three possible courses I have referred to, must be of course the wildest inflation. Such an extension would only multiply and increase of the ill we suffer. Moreover, unless all history is false, and every individual has a fallacy, and every deduction from the past respecting the future an act of folly, any further inflation of our currency would be followed by a general repudiation. Little as we like the word—and it is a healthy sign if it shocks us—yet, if we should go on inflating our currency, we could no more avoid repudiation than we could avoid the plunge of the cataract after we had passed its brink. Gentlemen may talk about the experience of other times and peoples as not applicable to ours, and may dream of what a great nation like the United States can accomplish, but gravity guides the great worlds as resistlessly as it does the atoms, and the greatest nation in industry and wealth, the more conspicuously must it follow those laws of wealth, which to the wise statesman are as clear and controlling as to the wise man of science are the laws of nature itself.

But we are to be congratulated on the fact that there is little open and direct advocacy of inflation in any quarter just now. It is to be hoped that we have learned something from our experience and discussions, and that it is auspicious if we have reached a point where a full inflation of our currency, however possible, has ceased to be an immediate probability.

I have said, Mr. Chairman, that there are only three possible courses to be taken respecting our currency, only one of which can be wise. And if a further inflation is certain to bring upon us all the disgrace and disaster of national repudiation, and if our present system of fraud and labor, as it necessarily does, of its lawless rights, must, in the long run, paralyze industry, giving room to inevitable delusive makeshifts and fraudulent specie payments, by which we endeavor to cheat ourselves or others with the notion that the semblance of a thing is the same as the reality, then the resumption of specie payments, the only course left, will be sought by every wise man. But *meilleur les opions est.* How to do this is, I am free to admit, our hardest financial problem. To see that a further inflation means repudiation, and that the attempted continuance in our present system is the continued reign of financial disaster and ruin, is much easier than to discover the sure path to the only safe end. We wish and practice to like people like ours ought to be able to solve this problem, and a brave people like ours ought not to be discouraged before it.

We shall be aided toward this solution if here also we classify all the possible ways in which any one might suppose it could be reached. And, in doing this, we shall find that as there are only three possible courses for us to take in the general administration of our national finances, only one of which is wise, so there are only three possible ways of attempting specie resumption, only one of which is certain to succeed. I say only three possible ways, for I exclude the thought that our currency, unless still further expanded, can be repudiated, as an impossibility.

The first of these ways is to hoard coin until a sufficient amount has been gathered to make sure that resumption would not be a failure. This is a favorite method with some, who find easy arguments in its supposed safety, but I suspect the difficulties in its way are too great to allow it to succeed. For, obviously, it would be a very costly procedure. The gold would have to be bought in order to be stored, and the increasing scarcity caused by the increasing hoarding would, at least, increase the market price of the gold. What shall be said, too, of the interest upon the accumulations during the time of their progress and what of the uncertainty of monetary values all over the world which such a procedure would include? It may safely be said that such an accumulation of specie as would be necessary to secure payment in coin for our present currency would produce such a financial pressure here and elsewhere that we should be forced to stop before we had finished. And thus this method of resuming specie payments is not really a possible one, though at first it might seem to be such. Moreover, if this were possible there is another way, not only easier, but incalculably more economical.

The second possibility is a return to the method so wisely adopted at the close of the war of gradually retiring and destroying those legal-tender notes which of a superabundant revenues of the Government—a process which I hold to have been the wisest financial step the Government has taken since these notes were made a legal tender; and which, had it been continued as it began, would have brought us back to specie payments and prosperity long ago. But though our

surplus revenue is not now sufficient to permit, without an increase of taxation, a hopeful re-inauguration of this method, we should not forget that such a course, could it be pursued, would immediately bring us to specie payments again. Specie payments would return at once as we know; no power could hinder their return if the currency which had driven them out did not still hold them back. You might as well keep the tides of the ocean from returning when gravitation requires it. And just as surely and as clearly, specie payments can no more return until our present currency has been reduced than can the sunlight fill a darkened chamber till the shutters have been taken down.

But if we are to have a reduction of our currency, as national honor and national prosperity and, I fear we must add, as national safety require, and if this cannot be done by withdrawing from our surplus revenue, no other way remains than to exchange this currency for the interest-bearing bonds of the nation, payable, principal and interest, in gold. And thus we find, at the conclusion of our survey, that of all possible methods of dealing with our currency, only one is wise, and I venture to say also that, if this be rejected, we have no practicable alternative to repudiation. We may as well face this alternative first as last. We must either cut our expenses or repudiate them, for we cannot stop on bearing the burdens, the increasing burdens, with which this delusive currency oppresses us. We must not believe we shall repudiate. I have faith in the nation. And therefore I would hope that the Congress of the nation, by its original constitution, I trust, and otherwise by the unfaltering voice of the people, will speedily set forward some measure for funding our present legal-tender currency, the only measure which can give us monetary soundness again.

We must reduce the actual volume of our present currency in order to make specie payments possible. If it plagues us to pains us, if it plunges us in distresses which for the time may seem insuperable, we have got to bear it if we get back to specie payments and be healthy are of business again. And if we are anything but children, if we are not white people, who can see our sickness and its remedy, we shall again. We are not children; we are not a nation of moon-struck dreamers; our people can, they see the difference between a dancing bubble and a bullock on a sound basis, and no party, whatever its name, can long maintain its hold upon them, which undertakes to claim that a promise to pay which cannot be paid, or which cannot be fulfilled—no matter by whomsoever or whatsoever made—can be equivalent to the actual payment. Our laboring classes, the toiling millions, by whose industry alone comes national wealth, are too intelligent to be imposed upon, palmed off on them promises to pay which are never paid, and because it is doctrine, by whatever name it may be called, that industry can be paid with anguish which is not itself the product of industry, is a delusion; the workmen of the land will assuredly come to see it as it is, and will render to whatever party represents it the retribution it deserves.

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